

FY 2023 Budget Questions & Answers

Finance Committee

Dept. Number, Name + Account	Questioner's Name/Question	Response
945 Unclassified	Fitzpatrick – Why is there a 1% decrease in the FY23 health insurance budget but the projections for FY24 are up 7%?	<p>Hicks: The rate decrease takes into account BCBS administration fees that we are no longer paying, we pay claims only and not premiums to cover claims, and Rx rebates that are anticipated to be realized in the FY23 budget. The 7% accounts for an estimated premium increase for FY24 with the goal of working toward funding the trust balance to the recommended reserve of \$3.4 million. Beginning in March 2022, the stop loss coverage is a 12/12 contract. This type of contract is typically only used for the initial year of coverage, it only covers claims incurred and paid within the policy year and is less expensive. The renewal will be with what is called a PAID contract, which would cover all run-in claims from the prior year and the pricing will increase when we renew with a PAID contract.</p> <p>O'Donnell: We also had 28 new plans enroll this year, which was the reason we recommended that the additional \$50,000 from the DPW reorganization be allocated towards health insurance.</p>
945 Unclassified	Nilsson – how is the health insurance budget developed to account for changes in membership? What are the assumptions?	O'Donnell: We've kept the new enrollment projection consistent with past practices where we budgeted an extra \$15,000 per month during September to capture the cost of new school employees, and an additional \$15,000 in

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		November for any changes during open enrollment.
945 Unclassified	Nilsson – what percent of the total employees elect to take health insurance (please break out between town and schools)	O'Donnell: Town: 165 out of 227 eligible (72.7%) School: 423 out of 785 eligible (53.9%) Total: 588 out of 1,012 eligible (58.1%)
945 Unclassified	Nilsson – when a new position is considered, how much should be added to a target salary for benefits (as a rule) to be able to consider the full cost of adding a new position?	O'Donnell: Based on a recent grant submission, we've been using \$21,000 per employee as an average for the cost of benefits.
945 Unclassified	Nilsson – how much is the stop gap insurance?	O'Donnell: March 2022 was our first month paying stop loss insurance. It cost \$130,350.52 to pay for 276 individual plans and 412 family plans. That projects to be \$1,564,206 over the course of a year.
945 Unclassified	Nilsson – explain the assumptions for a general 8% increase for many of the unclassified expenses (workers comp, unemployment)?	O'Donnell: With the transfer of the non-Medicare insurance to the 990 budget, we needed to ensure we had sufficient funding to cover all of the general insurances. Had we not budgeted enough, typically the health insurance could have covered and deficits in the other line items since it is a bottom-line budget. For unemployment, we've paid \$116,798 through the first three quarters of the fiscal year. For the remaining general insurances funded through MIIA, we did meet with a representative last week and the rates are looking more favorable than 8%.
945 Unclassified	Nilsson – what is the sick/vacation buy back policy? Who is eligible?	O'Donnell: This line item is for town employees. Whenever an employee retires or leaves

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		employment, the town pays them out for unused vacation time. Depending on when the employee is hired, they are also eligible to be paid for a portion of their sick time. Over the years, we have negotiated with unions to limit the sick buyback to 5 days for 5-10 years of service, 10 days for 10-20 years of service, and 20 days for 20+ years of service. The new language states that the sick payout is only eligible upon death or retirement from the Town of Westford.